and for the purposes of the act to deal with the income received for others precisely as if the beneficiaries had received it in person.

There remains the question, strenuously argued, whether this gain in four years of over $700,000 on an investment of about $500,000 is "income" within the meaning of the Sixteenth Amendment to the Constitution of the United States.

The question is one of definition and the answer to it may be found in recent decisions of this Court.

The Corporation Excise Tax Act of August 5, 1909 (36 Stat. 11, 112), was not an income tax law, but a definition of the word "income" was so necessary in its administration that in an early case it was formulated as "A gain derived from capital, from labor, or from both combined." (*Stratton's Independence* v. *Howbert*, 231 U. S. 399, 415).

This definition, frequently approved by this Court, received an addition, in its latest income tax decision, which is especially significant in its application to such a case as we have here, so that it now reads: "Income may be defined as a gain derived from capital, from labor, or from both combined, *provided it be understood to include profit gained through sale or conversion of capital assets.*" *Eisner* v. *Macomber*, 252 U. S. 189, 207.

The use made of this definition of "income" in the decision of cases arising under the Corporation Excise Tax Act of August 5, 1909, and under the Income Tax Acts is, we think, decisive of the case before us. Thus, in two cases arising under the Corporation Excise Tax Act:

In *Hays* v. *Gauley Mountain Coal Company*, 247 U. S. 189, a coal company, without corporate authority to trade in stocks, purchased shares in another coal mining company in 1902, which it sold in 1911, realizing a profit of $210,000. Over the same objection made in this case, that the fund was merely converted capital, this Court held that so much of the profit upon the sale of the stock as accrued subsequent to the effective date of the act was properly treated as income received during 1911, in assessing the tax for that year.

In *United States* v. *Cleveland, Cincinnati, Chicago & St. Louis Railway Company*, 247 U. S. 195, a railroad company purchased shares of stock in another railroad company in 1900 which it sold in 1909, realizing a profit of $814,000. Here, again, over the

same objection, this Court held that the part of the profit which accrued subsequent to the effective date of the act was properly treated as income received during the year 1909 for the purposes of the act.

Thus, from the price realized from the sale of stock by two investors, as distinguished from dealers, and from a single transaction as distinguished from a course of business, the value of the stock on the effective date of the tax act was deducted and the resulting gain was treated by this Court as "income" by which the tax was measured.

It is obvious that these decisions in principle rule the case at bar if the word "income" has the same meaning in the Income Tax Act of 1913 that it had in the Corporation Excise Tax Act of 1909, and that it has the same scope of meaning was in effect decided in *Southern Pacific Company* v. *Lowe*, 247 U. S. 330, 335, where it was assumed for the purposes of decision that there was no difference in its meaning as used in the Act of 1909 and in the Income Tax Act of 1913. There can be no doubt that the word must be given the same meaning and content in the Income Tax Acts of 1916 and 1917 that it had in the Act of 1913. When to this we add that in *Eisner* v. *Macomber*, *supra*, a case arising under the same Income Tax Act of 1916 which is here involved, the definition of "income" which was applied was adopted from *Stratton's Independence* v. *Howbert*, *supra*, arising under the Corporation Excise Tax Act of 1909, with the addition that it should include "profit gained through sale or conversion of capital assets", there would seem to be no room to doubt that the word must be given the same meaning in all of the Income Tax Acts of Congress that was given to it in the Corporation Excise Tax Act and that what that meaning is has now become definitely settled by decisions of this Court.

In determining the definition of the word "income" thus arrived at, this Court has consistently refused to enter into the refinements of lexicographers or economists and has approved, in the definitions quoted, what it believed to be the commonly understood meaning of the term which must have been in the minds of the people when they adopted the Sixteenth Amendment to the Constitution. *Doyle* v. *Mitchell Brothers Company*, 247 U. S. 179, 185; *Eisner* v. *Macomber*, 252 U. S. 189, 206, 207. Notwithstanding the full argu-

ment heard in this case and in the series of cases now under consideration we continue entirely satisfied with that definition, and, since the fund here taxed was the amount realized from the sale of the stock in 1917, less the capital investment as determined by the trustee as of March 1, 1913, it is palpable that it was a "gain or profit" "produced by" or "derived from" that investment, and that it "proceeded", and was "severed" or rendered severable, from it, by the sale for cash, and thereby became that "realized gain" which has been repeatedly declared to be taxable income within the meaning of the constitutional amendment and the acts of Congress. *Doyle* v. *Mitchell Brothers Company* and *Eisner* v. *Macomber, supra.*

It is elaborately argued in this case, in No. 609, *Eldorado Coal and Mining Company* v. *Harry W. Mager, Collector, etc.*, submitted with it, and in other cases since argued, that the word "income" as used in the Sixteenth Amendment and in the Income Tax Act we are considering does not include the gain from capital realized by a single isolated sale of property but that only the profits realized from sales by one engaged in buying and selling as a business —a merchant, a real estate agent, or broker—constitute income which may be taxed.

It is sufficient to say of this contention, that no such distinction was recognized in the Civil War Income Tax Act of 1867 (14 Stat. 471, 478), or in the Act of 1894 (28 Stat. 509, 553), declared unconstitutional on an unrelated ground; that it was not recognized in determining income under the Excise Tax Act of 1909, as the cases cited, *supra*, show; that it is not to be found, in terms, in any of the income tax provisions of the Internal Revenue acts of 1913, 1916, 1917 or 1919; that the definition of the word "income" as used in the Sixteenth Amendment, which has been developed by this Court, does not recognize any such distinction; that in departmental practice, for now seven years, such a rule has not been applied; and that there is no essential difference in the nature of the transaction or in the relation of the profit to the capital involved, whether the sale or conversion be a single, isolated transaction or one of many. The interesting and ingenious argument, which is earnestly pressed upon us, that this distinction is so fundamental and obvious that it must be assumed to be a part of the "general understanding" of the meaning of the word

"income" fails to convince us that a construction should be adopted which would, in a large measure, defeat the purpose of the Amendment.

The opinions of the courts in dealing with the rights of life tenants and remaindermen in gains derived from invested capital, especially in dividends paid by corporations, are of little value in determining such a question as we have here, influenced as such decisions are by the terms of the instruments creating the trusts involved and by the various rules adopted in the various jurisdictions for attaining results thought to be equitable. Here the trustee, acting within its powers, sold the stock, as it might have sold a building, and realized a profit of $700,000, which at once became assets in its possession free for any disposition within the scope of the trust but for the purposes of taxation to be treated as if the trustee were the sole owner.

Gray v. *Darlington*, 15 Wall. 63, much relied upon in argument, was sufficiently distinguished from cases such as we have here in *Hays* v. *Gauley Mountain Coal Company*, 247 U. S. 189, 191. The differences in the statutes involved render inapplicable the expressions in the opinion in that case (not necessary to the decision of it) as to distinctions between income and increase of capital.

In *Lynch* v. *Turrish*, 247 U. S. 221, also much relied upon, it is expressly stated that, "according to the fact admitted, there was no increase after that date (March 1, 1913) and therefore no increase subject to the law." For this reason the questions here discussed and decided were not there presented.

The British income tax decisions are interpretations of statutes so wholly different in their wording from the acts of Congress which we are considering that they are quite without value in arriving at the construction of the laws here involved.

Another assessment on a small gain realized upon a purchase, made in 1914, of bonds which were duly called for redemption and paid in 1917, does not present any questions other than those which we have discussed and therefore it does not call for separate consideration.

The judgment of the District Court is

Affirmed.

Mr. Justice HOLMES and Mr. Justice BRANDEIS, because of prior decisions of the Court, concur in the judgment.